



**Scott-Moncrieff**  
business advisers and accountants

# **Mental Welfare Commission for Scotland**

Annual report on the 2015/16 audit to the Board  
and the Auditor General for Scotland

**June 2016**

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# Executive Summary

## Annual accounts

The Mental Welfare Commission for Scotland's annual report and accounts for the year ended 31 March 2016 were approved by the Board on 28 June 2016.

We reported within our independent auditor's report, unqualified opinions on the annual accounts, the regularity of transactions and on other prescribed matters. There are no matters which we are required to report to you by exception.

We received draft annual accounts and supporting papers of a good standard, in line with our agreed audit timetable. We are pleased to report that the audit process ran smoothly, and our thanks go to the finance team for their assistance with our work.

## Financial management

The Commission has effective arrangements in place for managing its financial position and the use of resources.

We have evaluated the Commission's key financial systems and internal financial controls and determined whether these are adequate to prevent material misstatements in the annual accounts. We have not identified any significant deficiencies in the operation or design of the key financial systems. Arrangements for the prevention and detection of fraud and irregularity are operating effectively.

## Financial sustainability

The Scottish Government has indicated that the Commission's resource budget for 2016/17 will be set at the same level as in 2015/16 (£3.6 million for the Commission and £0.985million for the operation of the NCF). An initial allocation letter however has yet to be received. No capital allocation has been awarded at this time and is not anticipated.

Financial plans are prepared in line with annual business plans which in turn are aligned to a five year Strategic Plan. Each year the Strategic Plan is updated. Financial planning is not done beyond a five year period however given the activities of the Commission and the scope of its activities this is deemed reasonable.

The NCF budget has been prepared assuming 250 hearings during the year. This figure appears unrealistically high given past demand for the service. If activity levels do not increase, as is currently assumed, there is a risk that the NCF will underspend

- The Commission has achieved a breakeven position against its Revenue Resource Limit of £3.688million.
- The National Confidential Forum (NCF) has achieved breakeven against a revised revenue resource allocation of £0.729million
- No capital expenditure has been incurred during the year.
- Indicative funding for 2016/17 has been confirmed at £3.6million for the Commission's core activities and £1million for the operation of the NCF.
- The Commission has met 4 of its 5 key performance indicators in 2015/16.

against the £0.985million allocation.

## Governance and transparency

In our opinion, the Commission's corporate governance arrangements as they relate to standards of conduct and the prevention and detection of bribery and corruption are adequate and appropriate.

We also found that appropriate arrangements were in place for providing assurances to the Chief Executive in his role as Accountable Officer for the NCF.

## Value for money

The Commission has appropriate performance management arrangements in place which support the achievement of value for money.

However, whilst the NCF has defined five Key Performance Indicators (KPIs) within its strategic plan, these are not being formally reported on. Improvements in performance reporting would enable the NCF to more clearly demonstrate progress against these targets.

## Conclusion

This report concludes our audit for 2015/16. Our work has been performed in accordance with the Audit Scotland Code of Audit Practice, International Standards on Auditing (UK and Ireland) and Ethical Standards.

**Scott-Moncrieff**  
**June 2016**

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# Introduction

# Introduction

1. This report summarises the findings from our 2015/16 audit of the Mental Welfare Commission for Scotland ('the Commission').
2. The scope of our audit was set out in our External Audit Plan, which was presented to the Audit Committee in November 2015.
3. The main elements of our work in 2015/16 have been:
  - an audit of the Commission's annual report and accounts;
  - a review of governance arrangements, internal controls and financial systems; and
  - completion of targeted follow up work in relation to Audit Scotland's national performance report "*Scotland's Public Sector Workforce*".
4. The Commission's Board is responsible for preparing annual accounts that show a true and fair view and for implementing appropriate internal control systems. The weaknesses or risks identified are only those that have come to our attention during our normal audit work, and may not be all that exist. Communication in this report of matters arising from the audit of the annual report and accounts or of risks or weaknesses does not absolve management from its responsibility to address the issues raised and to maintain an adequate system of control.
5. This report contains an action plan with specific recommendations, responsible officers and dates for implementation. Senior management should assess these recommendations and consider their wider implications before deciding appropriate actions. Each recommendation is given a grading to help the Commission assess their significance and prioritise the actions required.
6. This report is addressed to both the Board and the Auditor General for Scotland and will be published on Audit Scotland's website [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk).
7. We would like to thank all members of the Commission's management and staff who have been involved in our work for their co-operation and assistance during our audit work.

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# Annual accounts

# Annual accounts

8. The Commission's annual accounts are the principal means of accounting for the stewardship of its resources and its performance in the use of those resources. The respective responsibilities of the Commission and the auditor in relation to the annual accounts are outlined in Appendix 2.
9. In this section we summarise the issues arising from our audit of the 2015/16 annual accounts.

## Overall Conclusion

### An unqualified audit opinion on the annual accounts

10. The annual accounts for the year ended 31 March 2016 were approved by the Board on 28 June 2016. We reported within our independent auditor's report:
  - an unqualified opinion on the annual accounts;
  - an unqualified audit opinion on regularity; and
  - an unqualified audit opinion on other prescribed matters.
11. We are also satisfied that there are no matters which we are required to report by exception.

### Good administrative processes were in place

12. We received draft annual accounts and supporting papers of a good standard, in line with our agreed audit timetable. We are pleased to report that the audit process ran smoothly, and our thanks go to the finance team for their assistance with our work.
13. The annual accounts were submitted to the Scottish Government and the Auditor General for Scotland by the 30 June 2016 deadline.

## Our assessment of risks of material misstatement

14. The assessed risks of material misstatement described below are those that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the audit team. Our audit procedures relating to these matters were designed in the context of our audit of the annual accounts as a whole, and not to express an opinion on individual accounts or disclosures. Our opinion on the annual accounts is not modified with respect to any of the risks described in exhibit 1 below.

## Exhibit 1: Our assessment of risks of material misstatement and how the scope of our audit responded to those risks

### 1.1 Mental Health (Scotland) Act 2015

The Mental Health (Scotland) Act 2015 received Royal Assent in August 2015. As a result of changes introduced within this legislation, the Commission needed to upgrade its information management system. Discussions are ongoing with the Scottish Government in respect of this; including the nature of this spend (capital or revenue) and the necessary funding required in 2015/16. There is a risk that any expenditure associated with the upgrade is misstated within the annual accounts.

#### *Excerpt from the 2015/16 External Audit Plan*



15. The Commission received confirmation from the Scottish Government that the expenditure on its Information Management System should be classified as revenue in nature. As part of our audit we have reviewed the nature of the spend and we are of the same opinion. We confirmed that the expenditure has been accounted for correctly in the 2015/16 annual accounts.
16. The total cost of upgrading the Information Management System was £88,000. The Scottish Government allocated additional funding to the Commission to cover the costs of the upgrade.

## Exhibit 1: Our assessment of risks of material misstatement and how the scope of our audit responded to those risks

### 1.2 Revenue recognition

Under international auditing standards, there is a presumed risk of fraud in relation to revenue recognition. The presumption is that the Commission could adopt accounting policies or recognise income and expenditure transactions in such a way as to lead to a material misstatement in the reported financial position.

*Excerpt from the 2015/16 External Audit Plan*

17. We do not believe the risk of fraud in revenue recognition is material to the annual accounts and have therefore rebutted this risk. This view has been based on the fact that the Commission's only source of income is its revenue resource limit as determined by the Scottish Government.

### 1.3 Management override

In any organisation, there exists a risk that management have the ability to process transactions or make adjustments to the financial records outside the normal financial control processes. Such issues could lead to a material misstatement in the annual accounts. This is treated as a presumed risk area in accordance with International Standard on Auditing (UK & Ireland) 240, "*The auditor's responsibilities relating to fraud in an audit of annual accounts*".

*Excerpt from the 2015/16 External Audit Plan*

18. While we did not suspect any incidences of management override leading to financial reporting issues, we reviewed the accounting records for significant transactions outside the normal course of business and obtained evidence to ensure that these were valid and accounted for correctly. Based on our audit work to detect potential material misstatement via a range of controls, we have not identified any indications of such management override during the year.

## Our application of materiality

19. The assessment of what is material is a matter of professional judgement and involves considering both the amount and the nature of the misstatement. This means that different materiality levels will be applied to different elements of the annual accounts.
20. Our initial assessment of materiality for the annual accounts was £70,000 and it remained at this level throughout our audit. Our assessment of materiality equates to approximately 1.5% of the Commission's Revenue Resource Limit (RRL). A key target for the Commission is achieving a breakeven position against its RRL. We consider the RRL to be one of the principal considerations for the users of the annual accounts when assessing the financial performance of the Commission.
21. We set a performance materiality for each area of work based on a risk assessment for the area and percentage application of overall materiality. We then perform audit procedures on all transactions, or groups of transactions, and balances that exceed our performance materiality. This means that we are performing a greater level of testing on the areas deemed to be of significant risk of material misstatement. Performance testing thresholds used are set out in the table below (these were revised following our initial assessment following a review of our Firm's procedures):



Area risk assessment	Weighting	Performance materiality
High	45%	£31,500
Medium	55%	£38,500
Low	70%	£49,000

22. We agreed with the Audit Committee that we would report to all audit differences in excess of 2% of the overall materiality figure, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the annual report and accounts.

### Audit differences

23. There were no material adjustments to the draft annual accounts. We identified some minor disclosure and presentational adjustments during our audit, which have been reflected in the final set of annual accounts.

### An overview of the scope of our audit

24. The scope of our audit was detailed in our External Audit Plan, which was presented to the Audit Committee in November 2015. The plan explained that we follow a risk-based approach to audit planning that reflects our overall assessment of the relevant risks that apply to the Commission. This ensures that our audit focuses on the areas of highest risk. Planning is a continuous process and our audit plan is subject to review during the course of the audit to take account of developments that arise.
25. At the planning stage we identified the significant risks that had the greatest effect on our audit. Audit procedures were then designed to mitigate these risks.
26. Our standard audit approach is based on performing a review of the key accounting systems in place, substantive tests and detailed analytical review. Tailored audit procedures, including those designed to address significant risks, were completed by the audit fieldwork team and the results were reviewed by the audit manager and audit partner. In performing our

work, we have applied the concept of materiality, which is explained earlier in this report.

### Regularity

27. We have planned and performed our audit recognising that non-compliance with statute or regulations may materially impact on the annual report and accounts. We did not identify any instances of irregular activity.

### Other matters identified during our audit

#### National Confidential Forum (NCF) Head remuneration disclosure

28. The former head of the NCF resigned on 12 May 2015. In line with a direction issued by the Scottish Government, the head was paid three months' salary in lieu of service following their resignation. These costs have been reflected within the Statement of Comprehensive Net Expenditure and within the Remuneration Report.
29. Due to the atypical nature of these payments we advised the Commission to disclose related details within the Remuneration Report. This amendment has been reflected within the annual report and accounts to increase openness and transparency of reporting.

#### Remuneration report disclosures

30. Changes were brought in impacting on the NHS superannuation scheme from 1 April 2015. The main features of these changes being a Career Average Revalued Earnings (CARE) scheme with benefits based on a proportion of pensionable earnings for each year of an individual's career.
31. For senior management participating in the CARE scheme and disclosed in the remuneration report, the CETV values advised by the calculator issued by the Scottish Public Pensions Agency (SPPA) did not provide a true reflection of their accumulated pension benefits. For these individuals we advised the Commission to contact the SPPA directly in order obtain accurate information for their disclosure. This was obtained and accurate disclosures made.
32. While the amendments made to the remuneration report disclosures are below our assessed level of overall materiality, we

consider they require reporting to you as a material adjustment on qualitative grounds.

## Follow up of prior year recommendations

33. As part of our audit we followed up the recommendations we raised in 2014/15. Of the five recommendations raised only one remains outstanding.

Number of recommendations raised in 2014/15	Complete
5	4

34. During our 2014/15 interim audit we made a recommendation that the Commission pursue, as a matter of priority, obtaining a lease agreement with the Scottish Legal Aid Bureau (SLAB) on Thistle House. The Commission has been working closely with SLAB to arrive at a final agreement however at the time of writing this has yet to be agreed and finalised. Management should continue to pursue a final signed agreement. This point has been reflected in our action plan at Appendix 1.

## Board representations

35. We have requested that a signed representation letter be presented to us at the date of signing the annual accounts.
36. We have not identified any unadjusted audit differences and are pleased to report that all audit adjustments raised have been reflected in the annual accounts.

## Qualitative aspects of accounting practices and financial reporting

37. We have considered the qualitative aspects of the financial reporting process including items that have a significant impact on the relevance, reliability, comparability, understandability and materiality of the information provided by the annual accounts. The following table summarises our findings:

Qualitative aspect considered	Audit conclusion
The appropriateness of the accounting policies used.	The significant accounting policies, which are disclosed in the annual accounts, are considered appropriate to the Commission.
The timing of the transactions and the period in which they are recorded.	We did not identify any concerns over the timing of transaction or the period in which they were recognised.
The appropriateness of the accounting estimates and judgements used.	The accounting estimates and judgements used by management in preparing the annual accounts are considered appropriate. The principal areas of estimates and judgements have been: asset depreciation rates and the valuation of provisions. Where appropriate, the Commission has utilised the work of independent experts or industry practice to support the estimates made.
The potential effect on the annual accounts of any uncertainties, including significant risks and related disclosures that are required.	We have not identified any uncertainties, including any significant risk or required disclosures, which should be included in the annual accounts.
The extent to which the annual accounts have been affected by unusual transactions during the period and the extent that these transactions are separately disclosed.	From the testing performed, we identified no significant unusual transactions in the period.
Apparent misstatements in the annual report or material inconsistencies with the annual accounts.	The annual report contains no material misstatements or inconsistencies with the annual accounts.
Any significant annual accounts disclosures to bring to your attention.	There are no significant annual accounts disclosures that we consider should be brought to your attention. All the disclosures required by relevant legislation and applicable accounting standards have been made appropriately.
Disagreement over any accounting treatment or annual accounts disclosure.	While some disclosure and presentational adjustments were made through the audit process there was no material disagreement during the course of the audit over any accounting treatment or disclosure.
Difficulties encountered in the audit.	There were no significant difficulties encountered during the audit.

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# Financial management

# Financial management

38. Financial management is concerned with financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively. It is the Commission's responsibility to ensure that its financial affairs are conducted in a proper manner.

## Overall conclusion

39. We concluded that the Commission has effective arrangements in place for financial management and the use of resources. Our conclusion is based on a review of the Commission's key financial systems, financial performance and financial reporting.

## The Commission's financial performance in 2015/16

40. The Commission met all of its key financial targets during the year achieving breakeven against a revised Revenue Resource Limit of £4.417million. The initial £3.6million resource allocation was increased in the year by £88,000 to meet the costs for the upgrade of the Information Management System.

## Exhibit 2

Performance against budget limits	Original budget £million	Revised budget £million	Actual £million	Savings/(excess) £million	Target achieved?
<b>Core revenue resource limit</b>					
Mental Welfare Commission	3.600	3.688	3.681	0.004	Yes
National Confidential Forum	1.000	0.729	0.631	0.101	Yes
<b>Non-core revenue resource limit</b>					
Mental Welfare Commission	0	0	0.004	(0.004)	Yes
National Confidential Forum	0	0	0.101	(0.101)	Yes
<b>Revenue resource limit</b>	<b>4.600</b>	<b>4.417</b>	<b>4.417</b>	<b>-</b>	<b>Yes</b>

41. The Commission was initially allocated £1million in revenue funding for operation of the National Confidential Forum (NCF). This initial budget was in line with the provisions of the Victims and Witnesses (Scotland) Act 2014 under which the NCF was formed.
42. During the first half of the financial year, a significant underspend was reported against the NCF budget. The main area of underspend

being travel and subsistence costs. As at December 2015 there had been a total of 51 hearings with average travel and subsistence costs of £97 per hearing; far less than the £600 per hearing budgeted for in line with guidance received by the Scottish Government following the 'Time to be Heard' pilot project. In addition the initial budget assumed that there would be the maximum of 368 hearings per year (184

days, 2 hearings per day).

43. In November 2015, following a budget savings review, the Commission's sponsor department within the Scottish Government reduced the revenue resource allocation for the NCF to £985,000. Following this a review of the NCF spend requirements was undertaken by the Commission. Through this exercise it was identified that the required 2015/16 NCF budget was £785,000. The Scottish Government was advised of this in November 2015 and the allocation reduced.
44. As reported in our interim management report we considered the timely identification of a forecast under spend, and the proactive manner in which the Commission has liaised with the Scottish Government, to be evidence of sound financial management arrangements.
45. At the year end, spend on NCF is £56,000 under this revised budget target. The main reasons for this are as follows;
- Revised staff budget included £20,000 for a data analyst. This position was not recruited to.
  - The new Forum Head started later than anticipated, resulting in a £6,000 saving with member costs also being £3,000 less than anticipated due to fewer hearings than expected.
  - Underspend of £12,000 on accommodation which is primarily due to savings on furniture and fittings.
46. The final allocated resource for the NCF takes into account this further £56,000 saving against the revised budget giving a total of £729,000.
47. No capital allocation was awarded to the Commission during the year. This is in line with our expectations and, through our audit work, we have gained assurance that no capital spend has been incurred.

## Systems of internal control

48. We have evaluated the Commission's key financial systems and internal financial controls to determine whether they are adequate to prevent material misstatements in the annual accounts. Our approach has included audit testing on the key internal financial controls to confirm that they are operating as intended. We undertake detailed controls testing every

three years, or more frequently where the key controls have changed.

49. As reported more fully in our interim report, we did not identify any significant deficiencies in the operation or design of internal financial controls over the Commission's key financial systems. We consider these systems to be well designed and operating effectively. Reliance has been placed on these controls during our 2015/16 audit.

## Internal audit

50. The Commission's internal audit service is provided by KPMG. To avoid duplication of effort and to ensure an efficient audit process we have taken cognisance of all of the work of internal audit. We are grateful to the KPMG team for their assistance during the course of our work.

## Fraud and irregularity

51. In accordance with the Code of Audit Practice, we have reviewed the Commission's arrangements for the prevention and detection of fraud and irregularities. Overall we found the Commission's arrangements for fraud and irregularity to be operating effectively.

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# Financial sustainability

# Financial sustainability

52. Financial sustainability looks forward to the medium and longer term to consider whether the Commission is planning effectively to continue to deliver its services or the way in which they should be delivered.

## Indicative 2016/17 budgets

53. The Scottish Government has indicated that the Commission's resource budget for 2016/17 will be set at £3.6 million for the Commission and £0.985million for the operation of the NCF. An initial allocation letter however has yet to be received. No capital allocation has been awarded at this time and is not anticipated.
54. The Commission has identified staff costs as an area of risk within the 2016/17 budget as these are set to increase by £60,000 to £2.991million. This has been taken into account when preparing the 2016/17 budget to arrive at a projected breakeven position. Budgets for HR (£9,000), Communications (£15,000) and Good Practice (£36,000) have been reduced to accommodate the additional spend on staff costs.
55. Financial plans are prepared in line with annual business plans which in turn are aligned to a five year Strategic Plan. Each year the Strategic Plan is updated. Financial planning is not done beyond a five year period however given the activities of the Commission and the scope of its activities this is deemed reasonable.
56. 2016/17 will be the second year in which the NCF has been fully operational. Of the proposed £0.985million allocation, £158,000 (15.8%) is to be allocated to raising awareness of the work of the NCF.
57. The 2016/17 NCF budget has been prepared assuming 250 hearings during the year. This figure appears unrealistically high given past demand for the service. If activity levels do not increase by 400% on 2015/16 numbers, as is currently assumed, there is a risk that the NCF will underspend against their allocation.

### Action point 1

58. The NCF was originally established for a three to five year period from 2014/15. Given that the Head and members have been appointed until the end of 2017/18 the Commission anticipate

that funding will be made available until at least this time.

## Workforce planning

59. In November 2013, the Accounts Commission and Auditor General for Scotland published a report on Scotland's public sector workforce. The report highlighted a number of key messages on workforce changes across Scotland in the public sector and made a number of recommendations to the Scottish Government, central government bodies, the NHS, COSLA and local authorities.
60. As part of our 2015/16 audits, Audit Scotland asked us to undertake a follow up review to help in understanding to what extent public bodies are implementing the recommendations and help identify common and emerging issues.
61. Through this work we concluded that the Commission has sufficient and appropriate arrangements in place in respect of workforce planning. Whilst the Commission does not currently have long term (5-10yrs) succession plans in place this has been recognised as an area requiring improvement. Within the Commission's 2016/17 Business Plan there is an action to 'develop scenarios for our future work and skill mix to ensure our sustainability given ongoing budget restraints'. Measures taken in respect of this are to include consideration of long term workforce planning. Key findings of our work at the Commission include:

- Human Resources Strategy covering financial years 2014/15 – 2016/17 is in place;
- No detailed departmental plans are in place however guidance contained within the HR Strategy is relevant to the Commission as a whole;
- The Commission is an accredited Investor In People employer;
- The Commission does not have succession planning in place for the long term. In the 2016/17 Business Plan however there is an action to 'develop scenarios for future work and skill mix to ensure our sustainability given ongoing budget restraints';
- There is work on-going during 2016/17 to review staff skills mix and ensure long term sustainability;
- The Commission produces a rolling forecast of costs and savings; detailed person by person. These forecasts are reported to the Operational Management Group.



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# **Governance & transparency**

# Governance and transparency

62. Governance and transparency is concerned with the adequacy of governance arrangements, leadership and decision making, and transparent reporting of financial and performance information. The Commission is responsible for ensuring the proper conduct of its affairs including compliance with relevant guidance, the legality of activities and transactions and for monitoring the adequacy and effectiveness of these arrangements.

## Governance arrangements

63. During our audit we have reviewed the Commission's overall governance arrangements. This has included consideration of the Commission's arrangements as they relate to standards of conduct including the prevention and detection of bribery and corruption and risk management. Based on our review, we concluded that overall governance arrangements are adequate and appropriate.

## NCF governance arrangements

64. The NCF operates independently of the Commission but is accountable to the Board through the Forum Head. For the majority of the financial year the post of Forum Head has remained vacant following the resignation of the previous Forum Head in May 2015. In January 2016 the Minister for Sport, Health Improvement and Mental Health announced the appointment of the new Forum Head who started on 1 February 2016.

65. In addition to the Forum Head, a support worker and two panel members were appointed to the NCF, taking up their positions in February 2016. These appointments run to August 2017 and April 2018 respectively.

66. The Memorandum of Understanding between Scottish Ministers and the Commission places a number of requirements on the Forum Head. During our interim audit reviewed those arrangements which were put in place while the post of Forum Head remained vacant. We also considered whether appropriate arrangements are in place for preparation of the 2015/16 corporate governance statement and annual report and did not identify any issues or concerns in either regard.

67. As part of our year end audit work we have obtained a copy of the signed NCF governance statement presented to the Chief Executive of the Commission to enable him to discharge his role as accountable officer for the NCF. A NCF panel member who performed an Acting Head role between the months of May 2015 and February 2016 (whilst the post of Head remained vacant) has prepared part of the statement. The remainder has been prepared by the newly appointed Forum Head.

68. The information contained within the governance statement of the NCF is in line with our expectations and understanding.

## Risk management

69. The Commission has an effective risk management framework in place. The Commission's risk management framework has been refreshed to include a Risk Universe in relation to NCF. Risk registers include risks specific to the NCF and risks posed to the Commission as a result of the NCF. Risks are reviewed and updated annually following consideration by the Commission's risk management group. The Forum considers NCF specific risks separately and these are then incorporated into the overall risk strategy.

## Standards of conduct and arrangements for the prevention and detection of bribery and corruption

70. In our opinion, the Commission's arrangements in relation to standards of conduct and the prevention and detection of bribery and corruption remain adequate and appropriate. The Commission also has adequate controls in place to ensure compliance with the regulatory guidance produced by the SGHSCD throughout the year.

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# Value for money

# Value for money

71. Value for money is concerned with using resources effectively and continually improving services. In this section we report on our audit work as it relates to consideration of the Commission's reported performance and to what extent this demonstrates achievement of value for money.

## Overall conclusion

72. We found that the Commission has appropriate performance management arrangements in place which support the achievement of value for money.

## The Commission has achieved four out of five performance targets

73. The Commission monitors its performance against five key performance indicators (KPIs) agreed with the Scottish Government. These targets are incorporated into the five year strategic plan and annual business plan and progress against these indicators is reported to the board on a quarterly basis. The table below summarises performance against these targets for 2015/16. Overall, the Commission has met all but one of its performance targets for the year. Although the Commission did not publish the required two investigation reports by March 2016 it has been involved in completing analysis and interviews for an investigation requested by Scottish Ministers.

Key performance indicator	2015/16 performance	KPI met
<b>KPI 1:</b> Visit at least 1500 individuals service users, 25% of which in an unannounced format	The Commission visited 1670 service users in 2015/16. Most of the visits involved interviewing individuals receiving care and treatment. In some cases the individual was not able to be interviewed but their case files were reviewed. Of the local visits performed 26% of these were performed in an unannounced format.	Yes
<b>KPI 2:</b> Produce statistics and analysis on the use of mental health and incapacity legislation on time, within six months of the year end	Required reports were published on the Commission's website on 24 <sup>th</sup> September 2015	Yes
<b>KPI 3:</b> Complete and publish two investigation reports by the end of March 2016	During the year 29 investigations were progressed, 17 of which were new. Of these only one was published on the Commission's website	No
<b>KPI 4:</b> Assess samples of telephone advice given and aim for at least 97% of all advice to be accurate	During the year there were 4,727 (14/15: 5,143) calls allocated to duty practitioners as 'requests for advice'. Of these it was found that 9% resulted in the recording of information but no advice being given. The estimated number of calls requiring advice was therefore 4,320 (14/15: 4,629). A total of 186 calls were audited (4%) and of these 16 did not provide advice and 168 (99%) were found to provide accurate advice. This gives an overall accuracy rating of 99%.	Yes
<b>KPI 5:</b> Publically report, within agreed timescales, the outcome of the recommendations we make to services in 90% of cases	The Commission made 409 recommendations following 108 focused visits conducted between January and December 2015. Follow up responses for these visits being due between 1 April 2015 and 31 March 2016. Follow up action has been undertaken on 97% of recommendations	Yes

Source: 2015/16 Annual Accounts (non-audited information)

74. The NCF held fifty eight hearings during the financial year. The Forum has implemented several communication campaigns in order to raise awareness of its work and reach out to those who may wish to give testimony.
75. There is a joint strategic and business plan in place for the NCF containing five KPIs against which the performance of the NCF is to be measured; however, whilst regular performance reporting is undertaken, there is scope to improve. More formal reporting against the defined KPIs would enable the NCF to more clearly demonstrate progress towards these targets.

*Action point 2*

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## Appendices

# Appendix 1: Action Plan

Our action plan details the control weaknesses that we have identified during the course of our audit together with the officers responsible for implementing the recommendations and the implementation dates.

It should be noted that the weaknesses identified in this report are only those that have come to our attention during the course of our normal audit work, and may not be all that exist. The audit cannot be expected to detect all errors, weaknesses or opportunities for improvements in management arrangements. Communication in this report of matters arising from the audit of the annual accounts or of risks or weaknesses does not absolve management from its responsibility to address the issues raised and to maintain an adequate system of control.

## Action plan grading structure

To assist the Commission in assessing the significance of the issue raised and prioritising the action required to address it, the recommendation has been rated.

The grading structure for our recommendations is as follows;

Grade	Explanation
Grade 5	Very high risk exposure - Major concerns requiring Commission attention.
Grade 4	High risk exposure - Material observations requiring management attention.
Grade 3	Moderate risk exposure - Significant observations requiring management attention.
Grade 2	Limited risk exposure - Minor observations requiring management attention
Grade 1	Efficiency / housekeeping point.

Title	Issue identified	Recommendation	Management comments
<p><b>NCF budget assumptions</b></p> <p><b>Grade: 3</b></p> <p><b>Paragraph 57</b></p>	<p>On the establishment of the NCF the maximum number of hearings possible was 368, to date the actual number performed is 60.</p> <p>The 2016/17 for the NCF is based on an assumption of 250 hearings during the year. This appears to be an unrealistically high estimate given past activity levels.</p>	<p>Management should consider the implications of a lower than anticipated number of hearings during the year and revise the allocation of resources accordingly. In the event that this results in a forecast underspend this should be notified to the Scottish Government.</p>	<p>We have agreed with the Head of the Forum that we will review budget assumptions as we prepare the revised budget.</p> <p><b>Responsible Officer:</b> Head of Forum</p> <p><b>Completion Date:</b> September 2016</p>



Title	Issue identified	Recommendation	Management comments
<p><b>NCF performance reporting</b></p> <p><b>Grade: 2</b></p> <p><b>Paragraph 75</b></p>	<p>There are five defined KPIs within the NCF strategic and business plan for 2015/16. We have identified however that, whilst performance against these KPIs is being regularly reported on, there is room for considerable improvement.</p> <p>More formalised reporting against the defined KPIs would enable the NCF to more clearly demonstrate progress towards the targets in place.</p>	<p>Improvements should be made to NCF performance reporting. KPIs within the NCF strategic and business plan should be formally reported on to both the Commission and the Forum on at least an annual basis.</p>	<p>Specific improvements to NCF performance reporting will be identified and incorporated into periodic reporting to the Board as soon as practicable.</p> <p><b>Responsible Officer:</b> Head of Forum</p> <p><b>Completion Date:</b> September 2016</p>

## Follow up of prior year recommendations

The following recommendations remain outstanding from our 2014/15 interim audit report.

Title	Issue identified & Recommendation	Management Comments	2015/16 update
<p data-bbox="185 499 368 562"><b>2014/15 Interim report</b></p> <p data-bbox="185 600 352 696"><b>Thistle House Lease Agreement</b></p> <p data-bbox="185 719 288 741"><b>Grade: 2</b></p>	<p data-bbox="395 490 719 745">The Commission offices at Thistle House are now owned by the Scottish Legal Aid Board (SLAB). The existing lease is with the Scottish Government and a new agreement with SLAB has yet to be drawn up.</p> <p data-bbox="395 801 719 960">Management must ensure that this situation is monitored and that a new agreement is put in place as soon as possible.</p>	<p data-bbox="746 490 1062 712">The MWC met with SLAB in February 2015 to discuss the lease and other facilities management issues. The 2014/15 rent was agreed at the SG quoted amount of £149k.</p> <p data-bbox="746 768 1062 994">A sample MOTO has been received from SLAB and MWC staff are reviewing the contents. SLAB confirmed that the contents will be substantially the same as those enjoyed with the SG.</p> <p data-bbox="746 1050 986 1113"><b>Responsible Officer:</b> Finance Manager</p> <p data-bbox="746 1169 1027 1191"><b>Due date:</b> 31 March 2015</p>	<p data-bbox="1098 490 1377 678">The lease is ready to sign with the exception two easily addressed queries which are with SLAB. We aim to sign by the end of June 2016.</p> <p data-bbox="1098 734 1350 837"><b>Responsible Officer:</b> Alice Wallace (Finance Manager)</p> <p data-bbox="1098 893 1302 956"><b>Completion Date:</b> June 2016</p>

# Appendix 2: Respective responsibilities of the Commission and the Auditor

## Commission responsibilities

It is the responsibility of the Board and the Chief Executive, as Accountable Officer, to prepare annual accounts that show a true and fair view in accordance with the National Health Service (Scotland) Act 1978 and directions made thereunder. This means:

- observing the accounts direction issued by the Scottish Ministers including the relevant accounting and disclosure requirements and applying suitable accounting policies on a consistent basis;
- making judgements and estimates on a reasonable basis;
- stating whether applicable accounting standards as set out in the government Financial Reporting Manual have been followed and disclosing and explaining any material departures; and
- preparing the accounts on a going concern basis unless it is inappropriate to presume that the Commission will continue to operate.

The Commission is responsible for ensuring that proper accounting records are maintained which disclose with reasonable accuracy at any time the financial position of the Commission and enable them to ensure that the accounts comply with the National Health Service (Scotland) Act 1978 and the requirements of the Scottish Ministers. They are also responsible for implementing appropriate internal control systems, safeguarding the assets of the Commission and hence taking reasonable steps for the prevention of fraud and other irregularities.

## Our responsibilities

Our responsibilities, as independent auditors, are established by the Public Finance and Accountability (Scotland) Act 2000 and the Code of Audit Practice approved by the Auditor General for Scotland, and guided by the auditing profession's ethical guidance. Specifically in relation to the annual accounts, we are required to audit them in accordance with International Standards on Auditing (ISAs).

## Audit of the annual report and accounts

We are responsible for auditing the annual report and accounts and giving an opinion on:

- whether the annual accounts give a true and fair view in accordance with the National Health Service (Scotland) Act 1978 and directions made thereunder by the Scottish Ministers of the state of the board's affairs as at 31 March 2016 and of its net operating cost for the year then ended;
- whether the annual accounts have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2015/16 FReM;
- whether the annual accounts have been prepared in accordance with the requirements of the National Health Service (Scotland) Act 1978 and directions made thereunder by the Scottish Ministers;
- whether in all material respects the expenditure and income in the annual accounts were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers;
- whether part of the Remuneration and Staff Report to be audited has been properly prepared in accordance with the National Health Service (Scotland) Act 1978 and directions made thereunder by the Scottish Ministers; and
- whether information given in the Performance Report for the financial year for which the annual accounts are prepared is consistent with the annual accounts.

We also report to you by exception if, in our opinion:

- adequate accounting records have not been kept; or
- the annual accounts and the part of the Remuneration and Staff Report to be audited are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit; or
- the Governance Statement does not comply with guidance from the Scottish Ministers; or

- there has been a failure to achieve a prescribed financial objective.

### Code of audit practice responsibilities

The special accountabilities that attach to the conduct of public business, and the use of public money, mean that public sector audits must be planned and undertaken from a wider perspective than in the private sector. This means providing assurance, not only on the annual accounts and associated documents such as governance statements, but providing a view also, where appropriate, on matters such as propriety, performance and the use of resources in accordance with the principles of Best Value and 'value for money'.

Our main additional responsibilities under the Code of Audit Practice are to review and report on:

- the Commission's arrangements for managing its performance and for securing economy, efficiency and effectiveness in its use of resources;
- the Commission's systems of internal control, including its reporting arrangements;
- the Commission's arrangements as they relate to prevention and detection of fraud and irregularity;
- the Commission's arrangements as they relate to standards of conduct and prevention and detection of corruption; and
- the Commission's financial position.

### Independence

During 2015/16, Scott-Moncrieff has provided taxation advice to the Commission. This was provided by staff with no involvement in the audit of the annual accounts.

We confirm that we have complied with Auditing Practices Board Ethical Standards throughout our audit and that, in our professional judgement, we have remained independent and our objectivity has not been compromised in any way. In particular:

- there are and have been no relationships between Scott-Moncrieff and the Commission, its Board members and senior management that may reasonably be thought to bear on our objectivity and independence.



**Scott-Moncrieff**  
business advisers and accountants